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21 UNITED STATES DISTRICT COURT

22 CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

23 CH<sub>2</sub>O, INC.,

24 Plaintiff,

25 v.

26 MERAS ENGINEERING, INC.;  
27 HOUWELING'S NURSERIES  
28 OXNARD, INC.; HNL HOLDINGS  
LTD.; HOUWELING UTAH  
OPERATIONS, INC.; and  
HOUWELING'S NURSERIES LTD.,

Defendants.

Case No. CV-13-8418 JAK (GJSx)

**CH<sub>2</sub>O, INC.'S MOTION *IN LIMINE*  
NO. 8 TO EXCLUDE IMPROPER  
EXPERT TESTIMONY**

Date: May 16, 2016

Time: 3:00 p.m.

Courtroom: 750

Hon. John A. Kronstadt

CH<sub>2</sub>O'S MOTION *IN LIMINE* NO. 8 TO EXCLUDE IMPROPER EXPERT  
TESTIMONY

Case No. CV-13-8418 JAK (GJSx)

1 Plaintiff CH<sub>2</sub>O, Inc. (“CH<sub>2</sub>O”) moves *in limine* to preclude Meras and  
2 Houweling’s (collectively “Defendants”) from introducing expert testimony not  
3 referenced in Defendants’ experts’ reports or inconsistent with the standards the  
4 expert applied in reaching his conclusions.

5 “Irrelevant evidence is not admissible.” Fed. R. Evid. 402. Furthermore,  
6 “[a]lthough relevant, evidence may be excluded if its probative value is substantially  
7 outweighed by the danger of unfair prejudice, confusion of the issues, or misleading  
8 the jury . . .” Fed. R. Evid. 403. “Although the trial court has substantial discretion in  
9 determining the evidence to be admitted, the ultimate fact must be ‘of consequence to  
10 the determination of the action,’ in the words of Federal Rule of Evidence 401.”  
11 *Magnivision, Inc. v. Bonneau Co.*, 115 F.3d 956, 961 (Fed. Cir. 1997). “In any trial  
12 there is a risk that in McCormick’s phrase, ‘the sideshow will swallow up the  
13 circus.’ . . . That is that side issues of only tangential relevance will take up inordinate  
14 time and divert the jury from the real issues in the case. The trial court’s weapons to  
15 prevent this [include] the Federal Rule of Evidence 403 ....” *Buckley v. Evans*, No.  
16 2:02-cv-01451, 2007 WL 2900173, at \*4 & n.13 (E.D. Cal. Sept. 28, 2007).

17 Unfair prejudice, as used in Rule 403, “involves an ‘undue tendency to suggest  
18 decision on an improper basis, commonly, though not necessarily, an emotional  
19 one.’” *Larez v. City of Los Angeles*, 946 F.2d 630, 641 n.5 (9th Cir. 1991) (quoting  
20 Notes of the Advisory Committee on the 1972 Proposed Rules for Fed. R. Evid. 403).  
21 “Probative value is determined by how likely the evidence is to prove some fact, not  
22 how important proof of that fact is to the proponent’s case.” *Am. Home Assur. Co. v.*  
23 *Am. President Lines, Ltd.*, 44 F.3d 774, 779 (9th Cir. 1994).

24 **1. The Court should exclude expert testimony not disclosed in Defendants’**  
25 **experts’ reports.**

26 The Court should exclude as irrelevant and prejudicial any opinions not  
27 disclosed in Defendants’ experts’ reports. In particular, Defendants’ damages expert

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1 Dr. Micah Siegel should be precluded from testifying at trial on issues upon which  
2 Defendants elected not to ask him to opine in his expert report.

3 By way of example, first, CH<sub>2</sub>O's damages expert, Dr. DeForest McDuff,  
4 opined in his report that CH<sub>2</sub>O is entitled to lost profits from Meras totaling  
5 approximately \$1.7 million. [Ex. 2 (Report of DeForest McDuff, Ph.D.) at ¶ 73.] But  
6 neither in his responsive expert report nor in his deposition did Dr. Siegel offer any  
7 type of analysis of lost profits.

8 Indeed, at his deposition, Dr. Siegel confirmed that his report did not contain  
9 any discussion of, let alone opinion about, lost profits because he was not tasked with  
10 analyzing them:

11 Q. I did not see any opinions in your expert report on lost  
12 profits. Am I right?

13 A. That's correct.

14 Q. And Dr. McDuff offered opinions on -- on lost profits,  
15 correct?

16 A. I believe so.

17 Q. And did you read or review the sections in Dr.  
18 McDuff's report on lost profits carefully?

19 A. I read through them. But since that was outside the  
20 scope of my task, I did not read them as carefully as I did  
21 other portions that were within the scope of my task.

22 Q. Did you read them carefully, the portions on lost  
23 profits?

24 \*\*\*

25 A. I read through them, but I didn't read them as carefully  
26 as I read other  
27 portions.

28 Q. And then there were attachments associated with the  
lost profits opinions, correct?

A. I believe so.

Q. Did you review those carefully?

\*\*\*

A. I read them, but I didn't review them as carefully as I  
did those attachments that related specifically to -- to  
reasonable royalty.

1 [Ex. 25 (Siegel Depo. Tr.) at 44:20 – 45:23.]

2 In addition, Dr. Siegel repeatedly testified at his deposition that he did not  
3 perform a lost-profits analysis of any kind. Specifically, he testified that “I didn’t do  
4 a lost profits analysis here. The analysis that I did was specifically tied to the facts of  
5 the reasonable royalty analysis.” [*Id.* at 260:21-23; *see also id.* at 310:1-2 (“the lost  
6 profits is not an analysis that I did”); *id.* at 314:19 (“I was not tasked with doing a lost  
7 profits.”); *id.* at 315:18-19 (“I didn’t do a lost profits analysis 19 here”).]

8 Second, Dr. McDuff opined in his damages report about how the parties, during  
9 the hypothetical negotiation, would equitably “share in the economic value generated  
10 by the technology based on their relative contributions and economic negotiation,”  
11 value that included increase yield, increased quality, and reduced compliance costs  
12 resulting from increased water recirculation. [Ex. 2 (Report of DeForest McDuff,  
13 Ph.D.) at ¶¶ 108-115.] He ultimately concluded that CH<sub>2</sub>O and Meras would share  
14 that value relatively equally but that, between CH<sub>2</sub>O and Houweling’s, CH<sub>2</sub>O would  
15 receive 38.5% of the value while Houweling’s would receive 62.5% [*Id.*] Here, again,  
16 Defendants elected not to ask Dr. Siegel to analyze or opine upon these issues, and he  
17 in fact did not include any such analysis in his report.

18 Indeed, at his deposition Dr. Siegel admitted that he did not perform his own  
19 profit split analysis because “the methodology by which one arrives at the correct  
20 number is not, by any means, to look at...what would we [*sic.*] call the economic  
21 surplus and then try to split it up between the two.” [Ex. 25 (Siegel Depo. Tr.) at  
22 328:1-11.] Dr. Siegel also acknowledged that he did not review or respond in any  
23 way to the expert reports of CH<sub>2</sub>O experts Ken Gerhart, Shawn Hagerty, or Dr. Slav  
24 Hermanowicz. [*Id.* at 46:2-11.] He further conceded that he had “no knowledge of  
25 the economics of recirculating water.” [*Id.* at 374:5 – 377:8.]

26 Defendants and Dr. Siegel had every opportunity to analyze and respond to Dr.  
27 McDuff’s opinions on these issues, and yet they elected not to, neither in his report

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1 nor at his deposition. Permitting Defendants at trial to introduce testimony on these  
2 issues would severely prejudice CH2O, which had no opportunity to explore them  
3 with Dr. Siegel at his deposition. *See* Fed. R. Civ. P. 26(a)(2) and 26(e)(2) (requiring  
4 disclosure of “[a]ny additions or changes” to an expert’s opinions). Accordingly,  
5 CH2O respectfully requests that the Court preclude Defendants and Dr. Siegel from  
6 presenting any testimony on matters not referenced in his report.

7 **2. The Court should exclude expert testimony premised on the wrong**  
8 **legal standard or, in the alternative, inconsistent with the standards**  
9 **applied by the expert in reaching his conclusion.**

10 The Court should preclude Defendants’ experts from testifying on the basis of  
11 the wrong legal standard or, in the alternative, in a manner inconsistent with the  
12 standards they applied in reaching their conclusions. Specifically, Defendants’  
13 technical expert Dr. Bernard Bubnis testified during his deposition that he applied the  
14 wrong legal standards and examined the wrong evidence when opining that the  
15 asserted claims were invalid as inoperable under 35 U.S.C. § 101 and as not enabled  
16 under 35 U.S.C. § 112. He should not be permitted to apply these incorrect standards;  
at a minimum, he should not be permitted to alter these standards at trial.

17 The ’470 patent is presumed to be valid under 35 U.S.C. § 282(a) unless  
18 Defendants come forward with clear and convincing evidence to the contrary.  
19 *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 131 S.Ct. 2238, 2242 (2011). “A  
20 claimed invention is deemed inoperative under section 101 when it requires the  
21 impossible or an unattainable result. Therefore, only when a claimed invention has  
22 total incapacity to achieve what is claimed is it deemed inoperative.” *Transco*  
23 *Products, Inc. v. Performance Contracting, Inc.*, 121 F.3d 728 at \*5 (Fed. Cir. 1997).  
24 The enablement requirement of 35 U.S.C. § 112, ¶ 1 requires that the specification  
25 adequately discloses to one skilled in the relevant art how to make, or in the case of a  
26 process, how to carry out, the claimed invention without undue experimentation. *See*  
27 *Genentech, Inc. v. Novo Nordisk, A/S*, 108 F.3d 1361, 1365

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1 (Fed. Cir. 1997).

2 But rather than apply these standards, long-recognized in patent law, Dr.  
3 Bubnis admitted at his deposition that he instead applied a “peer review” standard in  
4 reaching his invalidity conclusions under Sections 101 and 112. Specifically, he  
5 testified that:

6 I looked at [the ’470 patent] as I would look at a peer review  
7 for a submitted journal, article, or submitted thesis, the  
8 information needs to be explanative; by that I mean the  
9 information has to provide what is happening, why it is  
happening, how it happens.

10 \* \* \*

11 So when I looked at ’470 and looked at the composite  
12 information that I had, that was the baseline that I moved  
13 off of, that’s what I was thinking when I was doing this.  
14 Would I publish this in a journal, would I accept this as a  
thesis, does it support that kind of quality that is necessary.

15 [Ex. 23 (Bubnis Depo. Tr.) at 34:7 – 35:16; *see also id.* at 110:16-24 (testifying that  
16 he found the ’470 patent to be invalid under §§ 101 and 112 at least in part because it  
17 did not meet the standard of “peer review proof that [catalysis is] occurring”).]  
18 Applying this “peer-review” standard, Dr. Bubnis further explained the types of  
19 information he believes are required to be present in the ’470 patent’s disclosure for  
20 it to be valid:

21 The experimental plan needs to have a QC/QA assurance  
22 component to it, so that any measurements that are made,  
23 any measurements that are presented, need to be able to  
24 have a baseline error calculation, need to have  
understanding of data quality, accuracy and precision.

25 [*Id.* at 34:15-21; *see also id.* at 106:6-22 (applying peer-review standard as part of  
26 § 112 analysis).] When specifically asked what information Dr. Bubnis believes must  
27 be included in the ’470 patent in order for it to be valid under §§ 101 and 112, he



1 listed a “validated data package,” “proper quality control elements,” “blanks,”  
2 “duplicates,” “third-party validation,” and “third-party samples.” [*Id.* at 101:7 –  
3 102:25.] He further testified that validity under § 112, in his opinion, requires a  
4 showing of “proofs from peers” and “proofs from people who have tested it,” as well  
5 as “quality assurance procedures” and “third party validation.” [*Id.* at 107:25 –  
6 109:2.] In addition, Dr. Bubnis cited as evidence of invalidity the testing that CH2O  
7 conducted to determine *infringement*. [Ex. 26 (Expert Invalidity Report by Bernard  
8 Bubnis, Ph.D.) at 65-67.] However, whether a patent claim is invalid under §§ 101  
9 or 112 is based on the disclosure of the patent, not on anything outside of its four  
10 corners. *See Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir.  
11 2010) (*en banc*) (the test for written description “requires an objective inquiry into  
12 the four corners of the specification from the perspective of a person of ordinary skill  
13 in the art”).

14 Because Dr. Bubnis applied the incorrect standards and examined the wrong  
15 evidence in reaching his invalidity conclusions under Sections 101 and 112, he should  
16 not be permitted to testify at trial about these matters. As CH2O explained in its  
17 summary judgment motion and during the summary judgment hearing, permitting Dr.  
18 Bubnis to testify using the wrong standards and evidence would hopelessly confuse  
19 the jury and prejudice CH2O. Fed. R Evid. 403.

20 In the alternative, should the Court decline to exclude this testimony altogether,  
21 Dr. Bubnis should not be permitted at trial to alter the standards he admitted at  
22 deposition he used to evaluate the patent. During the summary judgment hearing,  
23 counsel for Defendants suggested they may ask Dr. Bubnis to testify on the basis of  
24 the correct legal standard. But this, too, would prejudice CH2O, to whom Dr. Bubnis  
25 unequivocally testified that he used the incorrect standard in reaching his conclusions.  
26 *See* Fed. R. Civ. P. 26(a)(2) and 26(e)(2) (requiring disclosure of “[a]ny additions or  
27 changes” to an expert’s opinions).

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1 Accordingly, CH<sub>2</sub>O requests that the Court exclude Dr. Bubnis's legally  
2 unsound opinion on invalidity under Sections 101 and 112 or, in the alternative,  
3 preclude Dr. Bubnis at trial from altering the standards he admitted at deposition that  
4 he used to evaluate the patent-in-suit.

5  
6 Dated: May 2, 2016

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7  
8 By: /s/ Christopher S. Marchese

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11 Attorneys for Plaintiff, CH<sub>2</sub>O, INC.  
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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the above and foregoing document has been served on May 2, 2016 to all counsel of record who are deemed to have consented to electronic service via the Court's CM/ECF system. Any other counsel of record will be served by electronic mail and regular mail.

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